



**Audit of
Port of Milwaukee Billing,
Collection and Accounts
Receivable**

W. MARTIN MORICS
City Comptroller
City of Milwaukee, Wisconsin
October 2005

Table of Contents

Transmittal Letter	1
Audit Scope and Objectives	2
Organizational and Fiscal Impact	3
Audit Conclusions and Recommendations	5
A. The Port is, for the most part, accurately billing the correct customers in a timely manner.	5
Recommendation 1.....	6
Recommendation 2.....	6
Recommendation 3.....	7
Recommendation 4.....	8
Recommendation 5.....	8
Recommendation 6.....	10
Recommendation 7.....	10
Recommendation 8.....	10
B. 2004 receipts were recorded and deposited, but internal controls over receipts need improvement.....	11
Recommendation 9.....	11
C. Rates charged by the Port are in conformity with Port leases and the Port Tariff.	11
Recommendation 10.....	12
D. The Port's current accounts receivable balance is accurate.	12
Recommendation 11	12
E. The Port is monitoring delinquent accounts, but collection efforts need improvement.....	13
Recommendation 12.....	13
Department Response.....	14



W. Martin Morics, C.P.A.
Comptroller

John M. Egan, C.P.A.
Special Deputy Comptroller

Michael J. Daun
Special Deputy Comptroller

Office of the Comptroller

October 4, 2005

To the Honorable
the Common Council
City of Milwaukee

Dear Council Members:

The attached report summarizes the results of our Audit of Port of Milwaukee Billing, Collection and Accounts Receivable. The overall objective of the audit was to evaluate the adequacy of the Port's billing and collection procedures, including internal controls over receipts.

The audit determined that Port billings are accurate and timely for the most part. Accounts receivable for invoices issued in recent years are accurate. Receipts are accurately recorded and deposited in a timely manner. However, tenants have not been billed for water usage. Improvements are needed in the documentation supporting some billings, including documentation of special rates. Internal controls over receipts need improvement. Collection efforts need improvement in certain respects. The audit makes 12 recommendations.

Audit findings and recommendations are discussed in the Audit Conclusions and Recommendations section of the report, which is followed by the Port of Milwaukee's response.

Appreciation is expressed for the cooperation extended to the auditors by the staff of the Port of Milwaukee.

Very truly yours,

W. MARTIN MORICS
Comptroller

Audit Scope and Objectives

The scope of this audit included the Port of Milwaukee's billing and collection procedures and records. The objectives of the audit were to:

- A. Determine whether the Port is accurately billing the correct customers in a timely manner.
- B. Determine whether internal controls are adequate to ensure that receipts are safeguarded from loss; are adequately recorded in the Port's records and the City's financial system; and are deposited with the City Treasurer.
- C. Determine whether rates charged by the Port are in conformity with Port leases and the Municipal Port Tariff approved by the City's Board of Harbor Commissioners.
- D. Evaluate the accuracy of the Port's accounts receivable balance.
- E. Evaluate the effectiveness of the Port's effort in collecting receivables in a timely fashion, including monitoring of delinquent accounts.

The audit included interviews of Port of Milwaukee staff as well as an examination of records supporting bills sent, amounts collected and accounts receivable. A sample of 2004 billings was reviewed, including the computation of and documentation for amounts charged. All invoices issued during 2004 were traced to payments recorded on the City's financial system or to the Port's end of year outstanding accounts receivable.

Organizational and Fiscal Impact

The Port of Milwaukee administers 467 acres of City owned property at or near the City's lakefront. The Port links waterborne, rail, and ground transportation in an accessible location close to downtown. The Port's operations are overseen by the City's Board of Harbor Commissioners. Rates charged by the Port for services to tenants, shippers and other customers are established by the Municipal Port Tariff which is approved by the Board of Harbor Commissioners. The Port's 2004 revenues totaled \$3.9 million. The Port earns revenues from the following sources.

- Rents charged to tenants that lease Port property.
- Dockage charges levied on vessels for use of berthing space.
- Wharfage and landborne charges levied on cargo loaded on or discharged from vessels or landborne conveyances for the use of the wharf or other Port facilities.
- Throughput charges to tenants in lieu of wharfage and landborne charges.
- Charges for use of Port cranes and other equipment.
- Charges for skilled labor by Port employees.
- Charges for miscellaneous services including winter mooring, short-term mooring permits, water use permits and other services.

The Port's current billing and accounts receivable system is a dBase system developed by a prior Port Finance Officer. Little documentation of this system was available when the current Port Finance Officer began work in 2001. In that year, the Comptroller's Audit Division began an audit of Port billing and accounts receivable. That audit disclosed serious deficiencies in the system that necessitated the suspension of the audit. The audit recommended that the Port retain outside accounting and information systems expertise to assist in correcting the deficiencies.

The Port subsequently retained a consultant to review Port practices; develop billing and other procedures; and install a new billing and collection system. With the help of the consultant, Port personnel were able to develop procedures to use the dBase system for billing and collection. However, Port personnel stated that the system developed by the consultant was not able to correctly perform some Port billings. Because the Port has a small staff, the Port did not have sufficient staff time to effectively implement the consultant's system. As a result, the Port continues to use the dBase system until the FMIS billing and

accounts receivable module is fully implemented. The dBase system is based on outdated software and requires manual procedures which can cause delays and increase the risk of errors.

The billing and accounts receivable module of the City's Financial Management Information System (FMIS) is currently being activated. The Port's activities will be included in the FMIS billing and accounts receivable module when it is fully operational. Comptroller's Office Financial Systems Support Division personnel stated that this will allow the Port Finance Officer to enter invoices online. Rates for Port services can be entered into FMIS for its use in calculating invoices. Invoices and payments will be handled by the Treasurer's Office. FMIS will apply payments to invoices and distribute revenues. Recurring invoices, such as tenant rentals, will automatically generate. FMIS will be capable of providing Port staff with reports, such as accounts receivable aging reports, generating late notices, and calculating late payment penalties.

Audit Conclusions and Recommendations

A. The Port of Milwaukee is, for the most part, accurately billing the correct customers in a timely manner, but improvements in billing are needed.

Rent charges to Port tenants made up about 75% of Port billings in 2004. Rents were calculated correctly and were billed in a timely manner, although documentation for a few prior years rent escalations was not available. However, the Port has not billed tenants for water usage since at least 2001. Unbilled water charges could be as much as \$77,000 per year.

Dockage charges comprising about 4% of 2004 Port billings were found to be accurate and timely.

Wharfage, landborne and throughput charges made up 16% of 2004 Port billings. Wharfage, landborne and throughput invoices in the audit sample were billed correctly with one exception which Port personnel indicated that they would correct. However, 23% of the invoices in the audit sample were billed based on cargo weights provided by customers, without independent documentation. Invoices were issued in a timely manner.

Equipment and labor invoices made up 4% of 2004 Port billings. Equipment and labor invoices in the audit sample were billed correctly. However, the timeliness of these invoices needs improvement, as they averaged 67 days from date of service to date of invoice. In addition, charges to railroads for 2004 track maintenance work were not billed until June 2005 because railroad car counts were not provided to the Port Finance Officer until that time.

Charges for miscellaneous services made up 1% of 2004 Port billings. The review of the audit sample indicated that miscellaneous services were billed correctly. However, documentation supporting two of the sample invoices was not kept on file.

Rent Charges

The Port charges rent to 29 tenants that lease Port property. The audit sample included one 2004 rent billing to each tenant and disclosed that that lease rentals were calculated and billed correctly. Many of the Port's leases include provisions for escalations in rent based on the United States Department of Labor's Producer Price Index and/or the Consumer Price

Index, usually at 5 year intervals. The audit determined that 2004 rent escalations were calculated correctly.

Documentation was available to support all rent calculations. The audit found that no documentation was available to support prior years' rent escalation calculations for four leases. Two of these escalations were calculated by a consultant to the Port and two were calculated by a prior Port Finance Officer.

Lease rental billings were completed in a timely manner with one exception - a rent escalation for one lease that was due in November 2004. The lease indicated that the escalation was to be the lowest of the amount calculated by applying the Producer Price Index, the Consumer Price Index or the City's capitalization rate. The escalation was not calculated at that time because Port personnel did not know how to calculate the City's capitalization rate. In July, 2005 the City Attorney's Office advised the Port that the escalation could be calculated based on the lesser of the Producer Price Index or Consumer Price Index by mutual agreement between the Port and the tenant. The lease escalation was billed to the tenant on that basis in July. Port personnel have stated that there are several other old leases that include the same escalation calculation.

Recommendation 1

Documentation should be kept on file to support all rent escalation calculations in case a dispute should arise with a tenant.

Recommendation 2

For all leases that include the City's capitalization rate in the calculation of rent escalations, the Port should pursue agreements with the tenants to allow the escalation to be computed based on the lesser of the Producer Price Index or the Consumer Price Index.

Water Charges

A number of Port leases include charges to tenants for use of City water. The leases provide that tenants are to pay for water at established municipal rates or in some cases at established municipal rates plus an overhead charge. The audit disclosed 15 metered locations which should have resulted in charges to tenants. The Port has not billed tenants for water usage since at least 2001. Port operations personnel have been reading the water meters on a quarterly basis. However, operations personnel stated that the meters are difficult to read.

Therefore, they have not been able to read all meters accurately. In addition, not all meter readings have been kept on file. The audit obtained sufficient meter readings to calculate water charges for seven locations for two quarters of 2004. Based on this, the audit estimates that unbilled water charges for 2004 could be as much as \$77,000.

Recommendation 3

The Port of Milwaukee should regularly bill all tenants whose leases provide for City water service. The Port should request assistance from the Milwaukee Water Works in training Port operations personnel to read the water meters properly.

Dockage Charges

Dockage is a charge levied on a vessel for use of berthing space at Port of Milwaukee facilities. Dockage charges are billed on the basis of vessel length and the amount of time the vessel is berthed at Port facilities. Dockage rates are set by the Municipal Port Tariff which is approved by the City's Board of Harbor Commissioners. Vessel lengths are obtained by the Port's Marketing Analyst from Lloyd's Register of Ships or Greenwood's Guide to Great Lakes Shipping and are maintained in the Port's billing system.

In most cases, shippers notify the Port's Marketing Analyst in advance that a vessel will be using the Port's facilities. The Marketing Analyst records all vessels using the Port's facilities on the Port's Daily Vessel Report. In addition, the Port's Operations Supervisor is designated as the City's Harbormaster. All vessels are required to notify the Harbormaster before entering the City's harbor.

The audit sample included 25 dockage invoices. All invoices in the sample were billed correctly and supported by information in the Daily Vessel Report. Vessel lengths agreed with Lloyd's Register of Ships or Greenwood's Guide to Great Lakes Shipping. The audit also traced 15 vessels from the Daily Vessel Report to invoices and found that all were billed correctly. Dockage billings were completed in a timely manner. Dockage invoices in the audit sample averaged 15 days from date of service to date of invoice.

The Port has not designated anyone to serve as a backup to the Operations Supervisor on occasions when he is not available when a vessel enters the City's harbor. The Operations Supervisor has stated that he rarely takes vacation and is available 24 hours per day by cell phone. However, it is possible that an occasion could arise when the Operations Supervisor is not available when a vessel enters the Port's facilities. While it is unlikely, it is possible that such a vessel could use the Port's facilities without being charged dockage.

Recommendation 4

The Port should designate an individual to act as backup to the Operations Supervisor to ensure that a Port representative is available whenever a vessel enters the Port's facilities.

Wharfage and Landborne Charges

Wharfage and landborne charges are charges for the use of the wharf or Port facilities levied on cargo loaded on or discharged from a vessel or landborne conveyance. Wharfage and landborne charges are billed on the basis of cargo weight in metric tons. Wharfage and landborne rates are set by the Municipal Port Tariff which is approved by the City's Board of Harbor Commissioners. In some cases, Port leases specify a charge called throughput to Port tenants in lieu of wharfage and landborne charges. Throughput charges are billed on the basis of cargo weight in metric tons. Throughput rates are set by each tenant's lease.

The City's Municipal Port Tariff states "The stevedore contractor and/or receiver and/or shipper and/or vessel and/or railroad discharging or loading cargo must furnish promptly to the Port on demand, copies of railroad bills of lading, inbound and outbound manifests, hatch lists, or load lists or other good and sufficient documentation, showing weights and measurements of the various items." The Tariff also states that "Charges...made by the Port will be based on weights of cargo determined on the basis of vessel, truck or railcar manifest, official survey documents, certified weight scale tickets or such other good and sufficient documentation satisfactory to the Port." The audit sample included 77 wharfage, landborne and throughput invoices. For 18 of these invoices, the cargo weight billed was provided by the customer, without the independent supporting documentation required by the tariff.

The review of the audit sample indicated that wharfage, landborne and throughput invoices were billed correctly in most cases. The audit disclosed one instance in which a customer was charged for wharfage on the basis of net tons rather than metric tons, resulting in an overcharge of \$760. Port personnel stated that this overcharge will be credited to the customer's outstanding balance. Wharfage, landborne and throughput billings were completed in a timely manner. Wharfage and landborne invoices in the sample averaged 28 days from date of service to date of billing. Throughput invoices averaged 22 days.

Recommendation 5

The Port should require independent documentation as described in the Tariff for all weights used in the computation of wharfage, landborne and throughput charges. Since

customers could have an incentive to understate weights to minimize charges, unsupported customer-supplied weights should not be accepted.

Equipment and Labor Charges

The Port has a variety of work equipment, including forklifts, tractor/loaders, pick-up trucks and welding equipment available for rental by tenants and other customers. The Port also provides skilled labor for maintenance, repair and other activities to customers. In addition, the Port provides cranes and operators for unloading cargo and other activities to its customers. Rates for Port labor and equipment are set by the Municipal Port Tariff.

The Port's Operations Supervisor maintains a record of all billable equipment, labor and crane hours for each job in an Excel spreadsheet. Operations employees fill out daily assignment sheets tracking all work performed. The assignment sheets are compared to employee time cards to ensure accuracy. Data from the assignment sheets is entered into the Operations Supervisor's Excel record. When a job is completed, the Operations Supervisor provides a report of billable equipment, labor and crane hours to the Port Finance Officer who prepares an invoice.

The audit sample included 61 equipment rental, labor and crane invoices. All invoices in the sample were billed correctly and supported by documentation from the Operations Supervisor.

The Port's current Operations Supervisor was promoted to the position late in 2003. At that time, billable equipment, labor and crane hours were kept on a dBase system that was part of the Port's billing system. The Operations Supervisor had little computer experience and was unable to produce billing information from the dBase system. The former Operations Supervisor was hired as a consultant during the first part of 2004 to clear up a billing backlog and to assist in developing the current Excel record of equipment, labor and crane hours. Since then, the Operations Supervisor has been able to provide the needed billing data.

The audit sample included 26 equipment, labor and crane invoices billed based on information provided through the Operation Supervisor's Excel records. Those invoices averaged 67 days from date of service to date of invoice, and ranged from 8 to 204 days. Fifteen of these invoices were issued more than 30 days after the date of service.

Canadian Pacific Railroad and Union Pacific Railroad jointly lease railroad tracks within the Port property. Port operations personnel perform maintenance and repair work on these

tracks. The railroads are charged for this labor at rates set by the Municipal Port Tariff. The charges are split between the railroads on the basis of the number of their railroad's cars using the tracks during the year. Therefore, the railroads cannot be billed for this work until after the end of the year when the car counts are known. The car counts for 2004 were not provided to the Port Finance Officer until June 2005. Labor charges for 2004 totaling \$33,011 were billed to the railroads on June 29, 2005.

Recommendation 6

A reasonable standard for prompt billing would be 30 days from date of service to date of invoice. The Operations Supervisor should provide the Port Finance Officer with billable equipment, labor and crane hours as soon as a job is completed. The Port Finance Officer should issue invoices for these jobs within 30 days of job completion. To ensure that all equipment, labor and crane jobs are billed, the Port Finance Officer should provide the invoice number for each job to the Operations Supervisor, who should record the invoice number in the job record.

Recommendation 7

The Port should require the railroads to provide annual car counts to the Port Finance Officer no later than January 31 of the following year to allow timely billing for track maintenance.

Other Miscellaneous Services

The Port charges for a number of miscellaneous services, including mooring permits, water use permits for festivals and various services provided to tenants and other customers. The review of the audit sample indicated that miscellaneous services were billed correctly.

Two of the miscellaneous invoices in the sample were for security services for a cruise ship as well as wharfage charges for the ship's passengers. The charges appear to have been billed correctly. However, Port personnel stated that the documentation supporting the number of passengers had been discarded.

Recommendation 8

The Port should retain on file all documentation for amounts billed to customers.

B. The audit disclosed that payments received for 2004 invoices were accurately recorded in the Port's records and the City's financial system and deposited with the City Treasurer. However, internal controls over receipts need improvement.

The audit traced all 2004 invoices to deposits to the City's financial system, the Port's end of year accounts receivable list or cancellations of incorrect invoices.

Currently, Port customers mail payments directly to the Port. The Port's receptionist opens all mail and forwards all payments to the Port Finance Officer. The receptionist does not keep a record of mail payments. The Port Finance Officer records the receipt on the Port's billing and accounts receivable system and the City's FMIS and deposits the payment with the City Treasurer. The receptionist also receives walk-in payments for mooring or water use permits. The receptionist gives the customer a receipt, fills out a daily cash receipts form, and forwards the form and payment to the Port Finance Officer for deposit.

A major principle of internal control is that, to guard against errors or irregularities, one person should not have both custody of receipts and responsibility for records of receipts, as the Port Finance Officer currently does. This problem will be alleviated soon when the billing and accounts receivable module of the City's FMIS is fully operational, since payments will be received and recorded by the City Treasurer's office. However, it is likely that the Port will continue to receive payments on previously issued invoices for several months.

Recommendation 9

The Port's receptionist should keep a log of all payments received and turned over to the Port Finance Officer. This log should be reconciled to the Port's deposits to FMIS on a weekly basis. The reconciliation should be reviewed and approved by a Port manager other than the Port Finance Officer.

C. Rates charged by the Port are in conformity with Port leases and the Port Tariff approved by the City's Board of Harbor Commissioners.

The review of the audit sample found that rates charged agreed with Port leases and the Municipal Port Tariff.

The sample identified two instances in which a customer was charged a special rate approved by the prior Port Director for crane rental. No documentation of the Port Director's approval

was available. The Harbor Commission has authorized the Port Director to offer special rates to customers.

Recommendation 10

Each special rate approved by the Port Director should be documented in a memorandum of understanding signed by the Port Director and a representative of the customer and kept on file.

D. The Port's current accounts receivable balance is accurate, but past years' differences from FMIS should be reconciled.

The Port's accounts receivable balance for invoices issued in 2004 is accurate. The Port's procedures are adequate to ensure that accounts receivable will continue to be accurately stated. The accounts receivable balance reported by the Port's billing and accounts receivable system differs from the Port's accounts receivable balance reported by the City's FMIS. The Port has reduced this difference substantially in recent years. The implementation of the FMIS billing and accounts receivable module should help to prevent such differences from occurring in the future.

The audit traced all Port invoices issued in 2004 to payments recorded on FMIS, cancellations of erroneous invoices or to outstanding accounts receivable, verifying that the balance for invoices issued in 2004 is accurate.

Apparently, due to errors in past years, the Port's accounts receivable balance differs from the City's FMIS balance for Port accounts receivable. Port personnel have worked to reconcile the balances and have reduced the difference from \$35,695 at the end of 2001 to \$6,783 at the end of 2004. Such differences should not arise when the FMIS billing and accounts receivable module is fully operational.

Recommendation 11

The Port should continue to identify and reconcile the remaining difference between its accounts receivable balance and the FMIS accounts receivable balance.

E. The Port is monitoring delinquent accounts, but collection efforts need improvement in certain respects.

The Municipal Port Tariff states that any invoice remaining unpaid 45 days after issuance is delinquent and shall be charged 1.5% per month on the unpaid balance. The Port's billing and accounts receivable system produces a report of all invoices 46 or more days old. A copy of this report dated June 29, 2005 listed delinquent accounts totaling \$115,045, dating from January 4, 1994 to April 7, 2005.

Port personnel stated that they had met with some customers regarding the delinquent invoices. However, the Port has not regularly charged the delinquency charge, nor have they referred delinquent accounts to the City's collection agency, the Kohn Law Firm.

Comptroller's Office Financial Systems Support Division personnel stated that the FMIS billing and accounts receivable module will be capable of generating late notices to delinquent customers. The module will also have the capacity to add a delinquency charge to overdue invoices.

Recommendation 12

The Port should send late notices to customers for all invoices not paid within 45 days of issuance. The Port should also add the delinquency fee authorized by the Municipal Port Tariff to all invoices not paid within 45 days. If customers are not responsive to collection efforts, the Port should refer their invoices to the Kohn Law Firm.



THE PORT OF MILWAUKEE

September 28, 2005

Accounting/Accts. Recv.

Mr. W. Martin Morics
City Comptroller
404 – City Hall
Attn: Mr. Bill Eatough

Re: Audit of Port of Milwaukee Billing

Dear Mr. Morics:

We are in receipt of the “Audit of Port of Milwaukee Billing, Collection and Accounts Receivable” dated September 2005, performed by the Comptroller’s Office Audit Division. This audit was performed over a considerable period of time and we believe the Audit Division did a thorough and professional job in its execution. The Audit’s conclusions are generally accurate and the recommendations given when implemented will contribute to improving the billing and collection functions in our department.

Our comments on these recommendations follow. In the past the limited staff available to the Finance Division and the burden of working with an accounting system based on out dated software has been a challenge for us. Steps are being taken to improve this situation and toward that end we welcome the recommendations offered by the auditors to address specific improvements that can be made.

Recommendation 1

The policy set by the Port’s Finance Officer is to keep rent escalation calculations on file. This has been the Department procedure since 2001 when the current Finance Officer took over.

In 2001 each tenant was notified by VH Associates, Port consultant, of rent adjustments and the calculations. This information is in Port files along with more recent calculations on Excel spreadsheet and the PPI indexes used.

Recommendation 2

More recent Port leases have dropped the capitalization rate as a basis for calculating rent escalations in favor of the Produce Price Index. This decision was made after the Finance Office contacted the offices of the Comptroller, DCD and the City



A CITY OF MILWAUKEE OPERATION

FAX 414-286-8506

2323 S. LINCOLN MEMORIAL DRIVE • MILWAUKEE, WISCONSIN 53207-1054 • 414-286-3511 • CABLE MILHARCO TWX910-262-3042

Mr. W. Martin Morics

September 28, 2005

Attorney, none of whom could provide assistance in calculating this rate. Port will seek agreements with tenants with older leases to allow escalations to be computed according to PPI or CPI increases.

Recommendation 3

The Port will institute procedures to start billing tenants for water usages on a regular basis and try to collect revenues for usage in the past.

The Port cannot substantiate the mentioned \$77,000 figure for 2004 unbilled water charges cited in the audit. The water meter readings are up to date for 2003-2005. There is no difficulty in reading the meters as the audit suggests.

Based on the total amount billed to the Port by the Water Department in 2004 (\$58,500) the maximum revenue for 2004 is at least \$10,000 less than the \$77,000 projected in the audit report.

Recommendation 4

The Port agrees that the Operations Supervisor needs a designated backup person, but for many reasons, not just to track vessel arrivals. Since the previous Supervisor retired this position has become extremely burdened with extra duties due to new Homeland Security responsibilities. In any case, the tracking of vessel arrivals is done through a number of sources, and it is highly unlikely that a ship would enter the harbor, load or discharge its cargo and leave again unnoticed or unrecorded. Still, the audit does point out that the possibility does exist and the Port Operations Division will institute communication procedures to minimize this possibility. The Port also intends to train other managers in certain operations tasks as backup for emergency situations.

Recommendation 5

The Port agrees that supported, independent documentation on cargo weights is important to maintaining accurate reporting from tenants. Generally, ship manifests or bills of lading work well for this purpose and most terminals routinely supply this backup information. The Port will discuss this with those tenants who do not furnish such documentation on a regular basis and determine what suitable backup documentation is available for submission.

The Port engaged an independent auditor VH Associates to verify the tonnage numbers provided by the Port's largest tenants, including LaFarge Cement, North American Salt, Milwaukee Bulk Terminal and Federal Marine Terminals. The audits were conducted in 2002 and 2003. These audits did not reveal any substantial errors or omissions in tonnage reporting.

Mr. W. Martin Morics

September 28, 2005

Recommendation 6

Bills are issued as timely as possible by the Port Finance Officer based on information details of billable jobs generated by the Operations Supervisor. Both these positions have many other managerial duties and neither position has backup staff. With additional staff requested in the 2006 budget and possible reassignment of duties, it is anticipated that the billing process will be improved and completed in a more timely manner.

Port staff will investigate a reasonable way to provide invoice numbers for each job to the Operations Supervisor, and have that number entered into the job record.

Recommendation 7

The two railroads that serve Jones Island are both notoriously slow at providing annual car counts and have been for years. There have been attempts over the years to improve this process, but reporting is still slow.

In 2004 the Port started its own car count numbers from Port tenants. The Port will continue to work with the railroads to generate car counts on a more regular basis. If possible a quarterly reporting and billing process would be agreed upon with the railroads.

Recommendation 8

The Port in most all cases does retain documentation for billing. Cruise ship passenger counts were discarded in the past, but since July 2005, are now also retained.

Recommendation 9

Until the City's FMIS is fully operational, the Port will keep a log of all payments received by our receptionist on a weekly basis. This log can be reconciled with deposits to the FMIS and reviewed and approved by the department head.

This logging of payments received may eventually be taken over by a new staff person assisting in the Finance Division.

Recommendation 10

When special rates are offered to customers and tenants by the Port Director these will be documented and sent to the Finance Officer and kept on file. The Finance Officer currently keeps a file notebook for such rates. Another copy will be put into the tenant lease file.

Mr. W. Martin Morics

September 28, 2005

Recommendation 11


This is an ongoing annual reconciliation, which is required by the Comptroller as a part of the yearend closing procedures. The Port Finance Officer has submitted an annual reconciliation every year since 2001 through the last yearend closing of 2004. The Port will continue to do this until all outstanding invoices are in the FMIS system. This should occur sometime after the billing module is fully implemented and operational within FMIS.

Recommendation 12

The Port agrees. These measures should be implemented when the new FMIS billing system is fully operational. The Port has already entered the necessary information to send out notice letters to tenants with overdue accounts. The Finance Officer has spoken with the City Attorney's Office and DPW regarding the procedure to transfer delinquent accounts to Kohn Law Firm for collection.

Thank you for providing this opportunity to provide our comments on the audit recommendations.

Sincerely,



ERIC C. REINELT
Acting Port Director

ECR/dcl

i:moricsauditrecomm.doc